

Market and Benchmark Insight Report for Latvia – 2022

Competitive benefit norms for mid-market employers in Latvia

Introduction

MAI CEE group was founded in Hungary in 1991, and for 30 years, has provided insurance solutions and employee benefits consulting across Eastern Europe, the Commonwealth of Independent States, and the Caucasus region. With steady growth, MAI CEE now provides insurance advice and services to the 29 countries in the region while having a physical presence in 25.

Today, MAI CEE is the leading insurance broker in the region and enjoys strong and long-lasting ties with its associate Partners. The company prides itself on delivering excellent service with the highest levels of integrity to its clients and partners.

It has specialist divisions to assist multinational businesses as brokers with specific expertise in employee benefits, construction and real estate, cyber, marine and logistics, and claims. MAI-CEE's employee benefits consulting services include:

- A separate Employee Benefits Department Personal Manager for each client
- Significant staff experience ranging from three to 20 plus years in employee benefits management
- Effective resolution of all disputed issues during the insurance period, contract follow-up support, and advocacy for clients' interests
- Complimentary review of clients' existing insurance coverage and recommendations to improve financial and medical efficiencies
- Ongoing contract review to maintain quality and ensure client satisfaction

MAI CEE is proud to be an Asinta Partner and hopes this document is of use to you.



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1. Latvian Benefits Landscape

Employee benefits are important in Latvia because they help recruit and retain employees and shape an employer's brand. However, they vary substantially based on a company's attraction and retention goals, culture, and industry.

Three other factors influence the definition of the benefits' design

- Industry type
- Salary level
- Location

1.1 Industry Type

Benefits and limits vary widely according to industry type. For example, generous benefits are typically offered in the financial services and high-tech industries. Benchmarking and advice on appropriate benefit design for any industry is a service MAI CEE provides.

1.2 Salary Levels

Salary levels impact benefit provisions. For example, in lower-paid industries, you may find only administration is provided with supplemental employee benefits.

Please note that in 2021, the average base salary in Latvia was €1,237 (Gross). The minimum salary determined by law is €500 in 2022.

1.3 Location

Employee location influences benefit provision and salaries as well. Costs are higher in Riga and surrounding areas, and on a slightly lower level, in the Latgale district.

2. Latvian Benefits Menu

Health insurance is the most popular employee benefit. It gives employees security, knowing their health is protected and their employer cares for them. When asked to rank three other common employee benefits in order of importance, Latvians will likely say disability, death, and retirement.

The table on the next page highlights the range of benefits typically available to employees in Latvia.



2.1 Mandatory Benefits

Benefit	Comments
Pension	<p>There is a three-tier pension system in Latvia, and the 2nd level deserves the most attention because employers need to pick their pension fund. Commissions, yield, and risk combinations will matter depending on an employee's age.</p> <p>1st tier: State compulsory unfunded pension scheme, all persons making social insurance contributions.</p> <p>2nd tier: State-funded pension scheme, which will eventually be mandatory for all citizens but currently applies to individuals born later than 1971. The participants pick an appropriate investment plan for their age (if you have more than 10 years until your pension, it is worth considering a slightly riskier investment plan).</p> <p>3rd tier: Private voluntary pension scheme, through which every individual can contribute additional savings for their pension in private pension funds.</p> <p>The retirement age in Latvia used to be 62 years but is now increasing by 3 months until 2025 when it will be 65 years (for persons with social contributions no less than 15 years).</p>
Paid Annual Leave	<p>Every employee is entitled to paid annual leave. This leave may not be shorter than 4 calendar weeks, not including public holidays.</p> <p>By agreement between the employer and employee, paid annual leave for the current year may be granted in installments. However, one installment of annual leave each year may not be less than 2 uninterrupted calendar weeks.</p> <p>Cash compensation for annual leave is prohibited, except when an employment relationship is terminated and an employee has not used up their paid annual leave.</p>
Study Leave	<p>An employee studying at any form of an educational institution while continuing to work may, following the collective agreement or employment contract, be granted paid or unpaid study leave.</p> <p>Employees sitting state exams or are writing and defending theses are granted paid study leave of no less than 20 working days per year. In addition, if an employee receives a lump sum remuneration, they are granted study leave with average remuneration or without it.</p>
Maternity and Childbirth Leave	<p>Maternity leave (56 calendar days) and childbirth leave (56 calendar days) are aggregated, and 112 calendar days are granted, irrespective of how many maternity leave days the pregnant woman has taken before the birth.</p> <p>Leave granted due to pregnancy and childbirth is not counted as part of paid annual leave.</p> <p>In principle, a woman taking maternity and childbirth leave retains her position. However, if this is not possible, the employer must provide a similar or equivalent job for the woman with equivalent working conditions and terms of employment.</p>
Childcare Leave	<p>Every employee has the right to childcare leave for the birth or adoption of a child. Childcare leave lasts 18 months and may be requested at any time until the child reaches the age of 8.</p> <p>The period spent by an employee on childcare leave is counted as part of their total work service.</p> <p>An employee taking childcare leave retains their previous job. If this is not possible, the employer must provide a similar or equivalent job for the employee with equivalent working conditions and terms of employment.</p>
Paternity Leave	<p>The father of a child is entitled to 10 calendar days of leave. Paternity leave may be granted immediately after the child's birth and no later than 2 months after the birth.</p>



<p>Unemployment Insurance</p>	<p>If an employee loses their job, they have the right to claim unemployment benefits. Benefits are granted if they have worked for at least 1 year and social insurance contributions have been paid for at least 12 months during the last 16 months.</p> <p>Employees can also claim unemployment benefits if they have regained work capacity after a disability or cared for a disabled child up to 18 years of age. In these cases, the benefits are granted even if social insurance contributions have not been paid or have been paid for less than 12 months.</p> <p>Employees can claim unemployment benefits if they have been granted unemployed status by the State Employment Agency (SEA) and have been socially insured for at least 1 year. Also, social insurance contributions must have been paid for them for at least 12 months during the last 16 months.</p> <p>If an employee regains work capacity after a disability, they must obtain unemployed status within 1 month of regaining work capacity to claim unemployment benefits. In addition, if they are caring for a disabled child, they must obtain unemployed status within 1 month of the child reaching 18 years of age.</p> <p>If an employee terminates employment relations on their own initiative, or if they were dismissed due to an infringement, unemployment benefits shall be granted and paid not sooner than 2 months after obtaining unemployed status.</p> <p>The unemployed are expected to cooperate with the State Employment Agency and carry out tasks listed in the individual plan.</p> <p>If an employee terminates employment relations on their own initiative, or if they were dismissed due to an infringement, unemployment benefits shall be granted and paid not sooner than 2 months after obtaining unemployed status.</p> <p>The unemployed are expected to cooperate with the State Employment Agency and carry out tasks listed in the individual plan.</p>
<p>Work on Public Holidays</p>	<p>Employees should not work on official public holidays.</p>
<p>Procedures for Granting Paid Annual Leave</p>	<p>Paid annual leave is granted every year at a set time following an agreement between the employer and employee or by a leave timetable. When giving paid annual leave, the employer is obliged to take the employee's wishes into account as far as possible.</p> <p>Employees may ask for paid annual leave for the first year of employment if the employer has continuously employed them for no less than 6 months. The employer is obliged to grant such leave in full.</p> <p>Additional leave may be granted to employees if:</p> <ul style="list-style-type: none"> • They have 3 or more children under 16 years of age or a disabled child under 18 years of age. The duration of such additional leave is 3 working days. • Their work involves a specific risk; the additional leave may not amount to less than 3 working days. • They care for 1 or 2 children up to 14 years of age. In this case, the additional leave may not amount to less than 1 working day. <p>The collective agreement or employment contract may stipulate other cases in which additional leave may be granted (for night work, shift work, long-term work, etc.).</p> <p>An employer may grant an employee unpaid leave at the employee's request.</p>



Amount of Unemployment Benefits

Unemployment benefits are granted for 9 months. The number of benefits depends on an employee's insurance (employment) history and the wage level from which social insurance contributions were paid.

The average contribution wage is calculated based on the employee's earnings for the 12-month period, which ended 2 months before claiming unemployment benefits.

Employment history in years (inclusive):

- From 1- 9 years, 50% of the average contribution wage
- From 10-19 years, 55% of the average contribution wage
- From 20-29 years, 60% of the average contribution wage
- 30 years and more 65% of average contribution wage

Unemployment benefits are gradually reduced by increments of 3 months.

Period	Benefit amount
First 2 months	100% of the granted benefit
Next 3rd-4th month	75% of the granted benefit
Next 5th-6th month	50% of the granted benefit
Last 2 months	45% of the granted benefit

If an employee cared for a child (up to 18 years) before obtaining unemployed status or regained work capacity after having a disability, the employee's granted benefits will be 60% of the double amount of the state social insurance benefit in effect on the day when the unemployment benefit is claimed. This is currently €76.84 per month for the first 2 months (state social security benefit €64,03 x 2 x 60% = €76,84). According to the algorithm mentioned above, the amount decreases for subsequent months.



2.2 Supplementary Employee Benefits

Sickness Benefits

Socially insured persons may claim sickness benefits. Benefits are granted if an employee or self-employed person does not show up for work or cannot perform their job, and as a result, loses income due to the following reasons:

Loss of Work Capacity Due to Illness or Injury

- Receiving essential medical treatment or preventative measures
- Isolation in quarantine
- Treatment in a medical institution during the recovery period from illness or injury, if this is required for regaining work capacity
- Caring for a sick child who is younger than 14 years
- Prosthetics or orthotics in a hospital

While an employee is sick, they receive both paid sick days from their employer and sickness benefits from the social insurance system.

They are entitled to sickness benefits if they paid social insurance contributions for at least 3 months within the last 6 months or at least 6 months within the last 24 months before the month when the insurance case occurred.

Sickness benefits are granted based on an electronic work incapacity form issued by a doctor.

An employer must pay an employee sick pay from the second to the 10th day of the illness.

If an employee is sick for an uninterrupted period, the State Social Insurance Agency grants and pays sickness benefits from the 11th day of the illness until the employee regains work capacity for a maximum of 26 weeks. In particularly serious cases, the period of benefit payments may be extended up to 52 weeks based on a ruling by the State Medical Commission for the Assessment of Health Condition and Working Ability (SMCAHCWA).

If, during the illness period, the employment relationship terminates but the period of work incapacity continues, the sickness benefit is paid for 30 calendar days following the end of the employment relationship.



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If an employee's illness is intermittent, benefits pay for a maximum of 52 weeks over 3 years.

If an employee is looking after a sick child under 14 years (at home), sickness benefits are granted and pay from the first to the 14th day of the child's illness. However, if an employee cares for a sick child in the hospital, sickness benefits pay until the 21st day.

Amount of Sickness Benefits

Employers must pay sick pay from the second to the 10th day of the illness period (no payment for the first day). For the second and third day of illness, the amount is not less than 75% of the employee's average daily earnings, and for the fourth to the 10th day, not less than 80% of the employee's average earnings.

From the 11th day of illness, the State Social Insurance Agency grants sickness benefits amounting to 80% of the employee's average earnings from which social insurance contributions have been paid. The average contribution wage is calculated over the 12-month period, which ended 2 months (for self-employed persons 3 months) before the onset of the illness.

Maternity Benefits

Maternity benefits, paid before and after childbirth, can be requested by expectant mothers who are:

- Employed and receive a salary
- Self-employed
- Spouses of a self-employed person and have voluntarily joined the social insurance

During the postnatal period, maternity benefits may be obtained by the child's father or another person who cares for the newborn at home, but no later than the child's 70th day of life. This applies to cases where:

- The child's mother cannot take care of the baby until the 42nd postnatal day due to sickness.
- The child's mother refused to take care of the child.
- The child's mother died during childbirth or before the 42nd postnatal day.
- The child is a foundling.

The benefit is paid in two parts – before and after childbirth. The first part is paid for 56 or 70 days of the maternity leave. The benefit for 70 calendar days is paid to expectant mothers who are undergoing medical supervision from their 12th week of pregnancy.

The second part – for 56 or 70 calendar days – is paid after childbirth. The benefit for 70 days can be obtained if:

- The mother had health problems during her pregnancy, childbirth, or postpartum period
- Two or more babies are born
- The maximum period for which the maternity benefit can be obtained is 140 days
- In the event of preterm birth, i.e., delivery before the start of the maternity leave, the maternity benefit is granted on the same terms, not less than 112 calendar days.

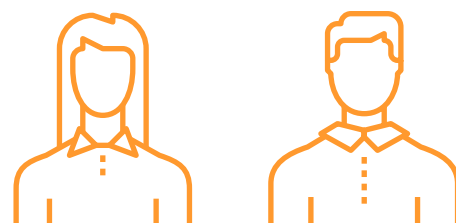
If an employment relationship is terminated due to winding-up of the workplace, the maternity benefit shall be granted if the maternity leave has started no later than within 210 days after the termination of the employment relationship.

Benefit Rates

The maternity benefit is granted in the amount of 80% of the applicant's average insurance contribution salary.

The average insurance contributions salary of an employee is calculated for 12 calendar months ending two months before the month in which the pregnancy leave began.

For self-employed women, the average insurance contributions salary is calculated following the average contributions made during the last 12 months ending one quarter (3 months) before the quarter in which the pregnancy leave began.





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Paternity Benefits

Employed fathers of a newborn with social insurance are eligible for 10 days of paternity leave taken no later than two months after the child is born.

Other stipulations include:

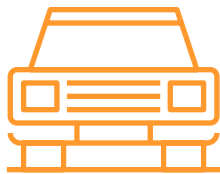
- The benefit is 80% of the average insurance contributions salary of the applicant.
- The average insurance contributions salary of an employee for the receipt of the paternity benefit is calculated for a period of 12 calendar months ending two months prior to when leave for the newborn's care begins.
- For a self-employed person, the average insurance contributions salary is calculated for the 12-month period ending one quarter before the quarter prior to when the newborn's care begins.

2.3 Wider Pension Provisions

In addition to the mandatory benefits, employers provide a range of benefits to help recruit and retain employees. The table below highlights the most common perks.

Benefit	Comments
Company Cars	A small number of employees may receive company-financed cars and/or fuel.
Meal Allowance Cards	A very rare benefit and offered mainly by high-tech employers.
Work from Home	An increasing number of employers offer this as a benefit, and particularly high-tech employers.

When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, MAI CEE will help you design a benefits program that works for you and is within your budget.





3. Insured Benefits – Design and Typical Costs

The table below highlights the most popular insured employee benefits in Latvia and their typical levels of cover.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
Medical Insurance	The most valued benefit by employees. Managed care schemes are the most common. Employees have access to the network of healthcare providers organized by the insurance company by presenting the respective insurance card.	Only employees are covered.	Family members (spouse and children) can also be covered but at the employee's expense.	All staff and dependents are covered at the employer's expense.
Life & Disability Insurance	Typically, group life insurance schemes include lump sum benefits in case of death and disability and usually amount to a multiple of each employee's salary.	Only top managers staff covered. Sum insured equal to 1-2 x annual salary. In the high-tech industry, sum insured to 3 x annual salary.	All staff covered. Sum insured equal to 1-2 x annual salary. In the high-tech industry, sum insured to 3 x annual salary.	All staff covered. Sum insured equal to 1-2 x annual salary. In the high-tech industry, sum insured to 3 x annual salary.
Personal Accident	Death and disability coverage due to professional or extra-professional accidents. Typically also includes a sum insured for treatment expenses and another one for funeral expenses.	Only top managers staff covered.	Only top managers, staff, and employees with the most hazardous jobs are covered.	All staff covered.



4. Setting Up Policies

4.1 Medical Insurance

- Definition of the plan's design – selection of covers (in-and out-patient treatment, dental, vision, medicines, childbirth, and other secondary supplemental covers), its respective annual limits per person, and eligibility
- Minimum number of employees – 2
- Paperwork
 - Employers must provide the list of employees with their personal data
 - For larger populations, it is enough to fulfill a specific Excel sheet provided by the insurance company with the employees' data (and one of their dependents, if applicable)

4.2 Life & Disability Insurance

- Definition of the plan's design – selection of covers (death, disability), sum insured per person (a multiple of salary), and eligibility
- Paperwork
 - Employers must provide a list of employees with their personal data.

4.4 Personal Accident

- Definition of the plan's design – selection of covers (accidental death, accidental disability, treatment expenses, funeral expenses, and other secondary supplemental covers), sum insured per person a multiple of salary and eligibility
- Paperwork
 - Employers must provide the list of employees with their personal data
 - Employer must provide the list of each employee position

5. Employee Communication and Policy Administration

Employee Communication

MAI CEE supports the following approach to meet client needs:

- Staff presentations
- Benefit communication packets, including new employee packets
- Selection of insurance companies with portals and/or smartphone applications allowing employees secure access to benefits data and learn how to use the benefit, particularly in the case of medical insurance

Policy Administration

As advisers, MAI CEE provides full policy administration support. This includes any queries raised and ensuring policies are up to date (including and excluding employees from the policies, etc.).

6. Adviser Remuneration

Commissions payable on insured policies is the typical market practice, but we will be happy to discuss fee or commission options whenever required.

When looking at fees, we consider:

- Time required to set up any new policies
- The total number of policies to manage
- Time required to administer the policies
- Frequency of pre-determined face-to-face client meetings and conference calls
- Other to be discussed if needed

7. MAI CEE Contact



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